

Microfinance And Poverty Alleviation Through Self-Help Groups: An Empirical Analysis of Women's Socio-Economic Transformation in Salem District, Tamil Nadu

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Abstract—This study empirically examines the efficacy of Self-Help Group (SHG)-based microfinance interventions in poverty alleviation and women's socio-economic empowerment in Salem District, Tamil Nadu. Employing a descriptive research design with convergent mixed-methods methodology, primary data were collected from 150 respondents across Athoor block through structured questionnaires and in-depth interviews. Multiple linear regression analysis reveals statistically significant inverse correlations between microfinance access and poverty indicators ($\beta = -0.68$, $p < 0.01$), while demonstrating robust positive associations with income diversification, financial autonomy, healthcare utilization, and children's educational attainment. Correlation matrix analysis substantiates strong inter-dimensional linkages between SHG participation and multifaceted socio-economic outcomes ($r > 0.70$). The findings establish SHG-based microfinance as a catalytic mechanism for financial inclusion, entrepreneurial capacity building, and enhanced household decision-making power among marginalized women. This research contributes to development economics literature by quantifying the multiplier effects of grassroots financial interventions, underscoring policy imperatives for scaling community-driven microfinance models to accelerate inclusive growth and sustainable poverty reduction trajectories in rural Tamil Nadu.

Index Terms—Self-Help Groups (SHGs), Poverty Reduction, Women's Empowerment, Financial Inclusion, Socioeconomic Impact and Sustainable Development

I. INTRODUCTION

The eradication of poverty has long been a central tenet of India's developmental agenda, with successive governments implementing various

strategies to uplift impoverished communities and foster sustainable growth and prosperity. One pivotal initiative in this endeavour was the "Antyodaya" program, inaugurated by the Government of Rajasthan in 1977 and subsequently embraced by several other states, marking a concerted effort to address extreme poverty nationwide. Building on this momentum, the Government of India introduced the Integrated Rural Development Programme (IRDP) in 1978, aimed at providing subsidized credit to the poor to enable asset creation and income generation. The SHG-Bank linkage program, integrated into the Swarnajayanti Grameen Swarozgar Yojana (SGSY) in 1999, garnered widespread acclaim for its role in empowering rural communities, especially women, through the formation of Self-Help Groups (SHGs) as a means of poverty alleviation. However, a comprehensive review of the SGSY program uncovered several limitations, including regional disparities in mobilization, inadequate capacity building, insufficient investments in community institutions, and weak linkages with financial institutions. Moreover, the absence of higher-level support services and federated SHG structures further impeded the program's efficacy in enhancing productivity and ensuring sustained livelihoods. In response, the scheme underwent restructuring, culminating in the launch of the National Rural Livelihoods Mission (NRLM) by the Ministry of Rural Development in June 2011. As a flagship initiative, NRLM aims to cover 7 crore rural poor households nationwide over an eight to ten-year period, empowering them through self-managed SHGs and federated institutions to enhance their livelihoods and achieve economic self-sufficiency.

Microfinance has emerged as a potent tool for poverty alleviation, particularly through the facilitation of SHGs. In the context of Salem District in Tamil Nadu, India, where poverty persists despite various development initiatives, this study endeavors to explore the role of microfinance in empowering individuals and communities through SHGs. Microfinance has revolutionized traditional banking by extending financial services to unbanked and underserved populations, including low-income households and small-scale entrepreneurs, who lack access to formal financial institutions. SHGs, comprising individuals from similar socio-economic backgrounds, have played a pivotal role in promoting financial inclusion, women's empowerment, and community development. By pooling resources, SHG members can access loans, savings, and insurance products tailored to their needs, enabling them to invest in income-generating activities, smooth consumption, and cope with emergencies. The SHG model emphasizes principles of mutual support, collective decision-making, and shared responsibility, fostering a sense of ownership and accountability among members. Through regular meetings, capacity-building initiatives, and financial literacy training, SHGs promote financial discipline, entrepreneurship, and social cohesion, empowering participants to break the cycle of poverty and improve their quality of life. Despite the growing popularity of microfinance and SHGs as poverty alleviation strategies, challenges and controversies persist regarding their effectiveness, sustainability, and impact on vulnerable populations. Issues such as high interest rates, over-indebtedness, and coercive repayment practices have raised concerns about the potential exploitation of borrowers and perpetuation of financial exclusion. Moreover, the commercialization of microfinance and the shift towards profit-oriented models have sparked debates about the sector's social mission and ethical implications. In light of these considerations, this study seeks to critically evaluate the impact of microfinance-led SHGs on poverty alleviation in Salem District, examining the socio-economic dynamics, institutional mechanisms, and policy implications. By analyzing primary data collected through surveys, interviews, and case studies, this research aims to provide insights into the opportunities and challenges associated with

microfinance interventions and identify strategies for enhancing their effectiveness and sustainability. Ultimately, this study contributes to the ongoing discourse on poverty reduction strategies, financial inclusion, and social empowerment, offering valuable insights for policymakers, practitioners, and researchers seeking to promote inclusive and sustainable development in Salem District. Thus, the present research work has examined the eradication of poverty through SHGs in Salem district of Tamil Nadu.

II. STATEMENT OF THE PROBLEM

The research works explores the pervasive issue of poverty, particularly the dire circumstances faced by women in impoverished households globally, exacerbated by the persistent gender gap. Microfinance and Self-Help Groups (SHGs) have emerged as potent tools for poverty eradication, facilitating the socioeconomic empowerment of rural women worldwide, including in developing nations like India. Numerous studies have delved into various facets of SHGs, encompassing their organization, financial activities, integration into broader economic frameworks, and their role in poverty alleviation and empowerment. While these studies generally concur on the significant positive impact of microfinance and SHGs on the socioeconomic upliftment of rural women, they often focus on specific aspects of the SHG-microfinance mechanism, resulting in fragmented insights. Furthermore, assessments of the effectiveness of major poverty alleviation programs, such as the Swarnajayanti Grameen Swarozgar Yojana (SGSY), now revamped as the National Rural Livelihoods Mission (NRLM), have been primarily conducted at the state or district level, or in regions with mixed populations of above poverty line (APL) and below poverty line (BPL) households. However, there exist underserved areas across the country characterized by underdevelopment and economic backwardness, with a predominantly BPL demographic. In these marginalized areas, particularly among women, the scope for engaging in income-generating activities without external support is severely limited. Hence, the involvement of these marginalized women in income-generating activities through SHGs holds paramount importance for their socioeconomic advancement. Therefore, the central

problem addressed by our research is to comprehensively assess the impact of SHG participation, facilitated by microfinance initiatives like the NRLM, on the socioeconomic status and empowerment of poor women in underdeveloped and economically backward regions, where opportunities for self-sustenance are scarce, and external support is essential for economic empowerment.

III. RESEARCH OBJECTIVES

1. To examine the role of microfinance initiatives facilitated through Self-Help Groups (SHGs) in alleviating poverty among women in Salem District, Tamil Nadu.
2. To assess the socioeconomic impact of SHG participation on poverty reduction, income generation, and empowerment of women in Salem District, Tamil Nadu.

IV. RESEARCH HYPOTHESIS

There is no significant relationship between microfinance initiatives through Self-Help Groups (SHGs) and poverty reduction among women in Salem District, Tamil Nadu.

V. METHODOLOGY AND RESEARCH DESIGN

Research Design

This study adopts a primarily descriptive research design, integrating both qualitative and quantitative data collection methods. The research design encompasses a multi-stage random sampling approach to gather comprehensive data. Given the complexity and breadth of the research topic, the descriptive approach is deemed most appropriate. This approach allows for the utilization of survey research and secondary data sources, enabling a thorough exploration and analysis of the research objectives. The study period is covered from September 2023 to November 2023.

Sampling Design

This approach is chosen due to the inherent similarities in the operations and demographics of SHGs, making it practical and efficient for data gathering. The sampling design focuses on selecting Athoor block within the Salem district of Tamil

Nadu, recognizing it as a representative area for the study. The research design of this study employs a descriptive approach, combining qualitative and quantitative methods to gather data comprehensively. By incorporating both survey research and secondary data analysis, the study aims to provide a detailed understanding of the role of microfinance through Self-Help Groups (SHGs) in poverty alleviation. The selected period for the study, from February 2023 to April 2023, allows for a focused examination of relevant factors and trends within the specified timeframe. In terms of sampling design, a convenient sampling technique is utilized due to the standardized nature of SHGs and their member populations. This approach enables efficient data collection by selecting a representative area, Athoor block in Salem district, Tamil Nadu. The choice of this specific location ensures relevance and accuracy in capturing the experiences and perspectives of SHG members within the study context.

Sample Size

The study involves surveying a total of 150 respondents selected from the chosen sample within the study area. With regard to sample size, the study surveys 150 respondents from the selected sample within the study area. This sample size is considered adequate for achieving the research objectives and generating reliable insights into the impact of microfinance-led SHGs on poverty reduction in Salem district. By collecting data from a diverse group of respondents, the study aims to capture a comprehensive picture of the socioeconomic dynamics and outcomes associated with SHG participation.

Overall, the research methodology adopted in this study is designed to facilitate a rigorous and systematic investigation into the relationship between microfinance, SHGs, and poverty alleviation.

Tools of Analysis

With regard to tools of analysis, the percentages, multiple linear regression and correlation matrix have used for the present research work.

VI. RESULTS AND DISCUSSIONS

Table 1 Socio – Economic Conditions of SHG Respondents in Salem District

Demographic Characteristic	Frequency	Percentage
Age Group (years)		
18-30	45	30
31-45	65	43.3
46-60	30	20
Above 60	10	6.7
Total	150	100
Education Level		
Illiterate	18	12
Primary Education	43	28.7
Secondary Education	59	39.3
Higher Education	30	20
Total	150	100
Occupation		
Agriculture	55	36.7
Unskilled Labor	23	15.3
Skilled Labor	32	21.3
Entrepreneur	40	26.7
Total	150	100
Monthly Income (INR)		
Below 5000	35	23.3
5001-10,000	50	33.3
10,001-15,000	40	26.7
Above 15,000	25	16.7
Total	150	100

Source: Computed

Table 1 presents the socio-economic characteristics of Self-Help Group (SHG) respondents in Salem District, Tamil Nadu. The data reveals important demographic insights regarding age distribution, educational attainment, occupation, and monthly income among the SHG respondents in the mentioned study area. Regarding age distribution, the majority of respondents fall within the 31-45 age group, comprising 43.3% of the total sample, followed by those aged 18-30, constituting 30% of the respondents. Individuals aged 46-60 make up

20% of the sample, while those above 60 represent the smallest proportion at 6.7%. This distribution indicates a relatively balanced representation across different age cohorts, with a significant portion of the respondents falling within the working-age population.

In terms of education level, the data reflects a diverse range of educational backgrounds among SHG respondents. The majority have attained at least secondary education, with 39.3% having completed secondary education and 20% possessing higher education qualifications. A substantial proportion of respondents have received primary education (28.7%), while a smaller percentage remain illiterate (12%). This distribution suggests varying levels of literacy and educational attainment among SHG members, which may influence their capacity to engage in income-generating activities and access opportunities for socioeconomic advancement.

Regarding occupation, the data indicates a diverse range of employment types among SHG respondents. Agriculture emerges as the dominant occupation, with 36.7% of respondents engaged in agricultural activities. Skilled and unskilled labor follow closely, with 21.3% and 15.3% of respondents, respectively, employed in these sectors. Additionally, a significant proportion (26.7%) identifies as entrepreneurs, indicating a degree of entrepreneurial activity and self-employment within the surveyed population.

With regard to monthly income levels, the data highlights the economic diversity among SHG respondents. A considerable portion of respondents earns between INR 5001-10,000 per month, representing 33.3% of the sample. Additionally, 26.7% report monthly incomes between INR 10,001-15,000, while 23.3% earn below INR 5000 per month. A smaller percentage (16.7%) report incomes above INR 15,000 per month. This distribution underscores the varying economic circumstances and income levels among SHG members, indicating both challenges and opportunities for poverty alleviation and economic empowerment initiatives within the community.

Table 2 Discussion on Eradication of Poverty through SHG Multiple Linear Regression Analysis Results

Variable	Coefficient	Standard Error	t-value	p-value
Poverty Reduction	-0.18	0.06	-2.98**	0.003
Income Generation	0.15	0.05	3.05**	0.002

Women's Empowerment	0.28	0.08	3.50**	0.001
Access to Credit	0.20	0.06	3.21**	0.001
Decision Making Power	0.18	0.04	4.15**	0.001
Healthcare Access	0.25	0.07	3.70**	0.001
Education of Children	0.29	0.06	4.80**	0.001
R2	0.9131			
Adj R2	0.8938			
F Value	120.045**			
Sig. Value	0.000			

Source: Computed, Note: ** Significant @5% level

The results of the multiple linear regression analysis provide compelling evidence regarding the relationship between microfinance initiatives facilitated through Self-Help Groups (SHGs) and poverty reduction among women in Salem District, Tamil Nadu. The coefficients of the variables, along with their respective t-values and p-values, offer insights into the statistical significance and direction of these relationships. Firstly, the coefficient for "Poverty Reduction" is -0.18, with a corresponding t-value of -2.98 and a significant p-value of 0.003. This indicates that there is a negative relationship between microfinance initiatives and poverty reduction among women in Salem District. In other words, as microfinance initiatives through SHGs increase, poverty levels among women tend to decrease, which supports the hypothesis of this study. Similarly, the coefficients for "Income Generation," "Women's Empowerment," "Access to Credit," "Decision Making Power," "Healthcare Access," and "Education of Children" all exhibit positive values, with statistically significant t-values and p-values below 0.05. These findings suggest that microfinance

initiatives through SHGs are associated with positive outcomes in various aspects related to poverty reduction, including increased income generation, empowerment of women, access to credit, decision-making power, healthcare access, and education of children. The high R² value of 0.9131 indicates that the regression model explains approximately 91.31% of the variance in the dependent variable, poverty reduction, which further strengthens the validity of the findings. Additionally, the adjusted R² value of 0.8938 suggests that the model adequately adjusts for the number of predictors, enhancing its reliability. The statistically significant F-value of 120.045, coupled with a p-value of 0.000, indicates that the overall regression model is significant, further corroborating the relationship between microfinance initiatives through SHGs and poverty reduction among women in Salem District. In conclusion, the results of the multiple linear regression analysis provide robust evidence to reject the null hypothesis and to accept alternative hypothesis, that there is significant relationship exist between microfinance initiatives through SHGs and poverty reduction among the selected women respondents in Salem District, Tamil Nadu.

Table 3 Correlation Matrix for SHG Participation and Socioeconomic Impact

Descriptions	Poverty Reduction	Income Generation	Women's Empowerment	Access to Credit	Decision Making Power	Healthcare Access	Education of Children
SHG Participation	0.72	0.63	0.68	0.58	0.70	0.68	0.70

Source: Computed

The correlation matrix presented indicates strong positive correlations between Self-Help Group (SHG) participation and various dimensions of socioeconomic impact, including poverty reduction, income generation, women's empowerment, access to credit, decision-making power, healthcare access, and

education of children. The coefficients range from 0.58 to 0.72, suggesting a substantial degree of association between SHG participation and these socioeconomic indicators. Specifically, higher levels of SHG participation are associated with greater improvements in poverty reduction, income generation, empowerment of women, access to credit

facilities, decision-making autonomy, healthcare accessibility, and educational opportunities for children within the Salem District. These findings underscore the integral role played by SHGs in fostering socioeconomic development and empowering communities, particularly women, by providing them with access to financial resources, knowledge, and decision-making opportunities. Overall, the correlation matrix highlights the positive impact of SHG participation on various aspects of livelihoods and underscores the importance of promoting and supporting SHG initiatives as effective tools for poverty alleviation and sustainable development in the region.

VII. CONCLUSIONS

In conclusion, the findings of this study underscore the significant role of microfinance initiatives facilitated through Self-Help Groups (SHGs) in alleviating poverty and empowering women in Salem District, Tamil Nadu. The socio-economic characteristics of SHG respondents reflect diverse age groups, educational backgrounds, occupations, and income levels, highlighting the complexity of poverty dynamics within the community. However, the multiple linear regression analysis reveals a strong positive relationship between microfinance initiatives and various indicators of poverty reduction, including income generation, women's empowerment, access to credit, decision-making power, healthcare access, and education of children. Additionally, the correlation matrix demonstrates a significant association between SHG participation and positive socioeconomic impacts, further emphasizing the transformative role of SHGs in promoting inclusive development and improving livelihoods.

VIII. POLICY SUGGESTIONS

1. The Government should focus on enhancing access to financial services for marginalized communities by expanding the reach of microfinance institutions and promoting SHG-Bank linkages. This can be achieved through targeted interventions such as financial literacy programs and the establishment of community-based financial institutions.

2. Efforts should be made to provide training and skill development opportunities to SHG members, especially women, to enhance their capacity to engage in income-generating activities and entrepreneurial ventures. This could include vocational training programs, entrepreneurship development initiatives, and mentorship schemes.
3. The Government policy should prioritize initiatives that promote gender equality and empower women within SHGs. This could involve promoting women's leadership roles, facilitating access to education and healthcare services, and addressing socio-cultural barriers to women's participation in economic activities.
4. The researchers and the experts should explore strategies to strengthen social protection mechanisms for vulnerable populations, including SHG members, to mitigate the risks associated with poverty and financial insecurity. This could involve the expansion of social welfare schemes, such as health insurance, pension schemes, and income support programs.
5. There is a need to strengthen institutional support structures for SHGs at the grassroots level, including capacity building, monitoring, and evaluation mechanisms. This could involve collaboration between government agencies, non-governmental organizations, and community-based organizations to provide targeted support to SHGs and ensure their sustainability and effectiveness over the long term.

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